

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayer
Marshall Johnson
Ken Nickolai
Phyllis A. Reha
Gregory Scott

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition of Northern States
Power Company d/b/a Xcel Energy for
Approval of an Amendment to its Annual
Review of Remaining Lives for 2003

ISSUE DATE: January 5, 2004

DOCKET NO. E,G-002/D-03-230

ORDER AMENDING REMAINING LIFE OF
THE PRAIRIE ISLAND NUCLEAR PLANT

PROCEDURAL HISTORY

On June 3, 2003, the Commission issued its ORDER CERTIFYING DEPRECIATION RATES AND METHODS (Erratum Notice issued June 6, 2003), which included approval of remaining lives of Xcel Energy's various facilities. In that Order the Prairie Island plant's remaining life was set at 4.8 years based on a year 2007 end of operation. However, in the Order the Commission recognized that legislation may affect the figures approved for that facility.

On August 1, 2003, the Company filed a petition for approval of an amendment to its Annual Review of Remaining Lives for 2003 to be effective January 1, 2003. The petition requested that, for purposes of calculating depreciation expenses in 2003, the remaining life for the Prairie Island plant be extended to 2013 for Unit 1 and 2014 for Unit 2. The petition also requested that the Commission approve the inclusion of steam generators replacement investments in Prairie Island Unit 1 in depreciation expense calculations starting in 2003.

On October 17, 2003, the Department of Commerce (DOC) filed comments.

On November 3, 2003, Xcel filed reply comments.

The matter came before the Commission on December 11, 2003.

FINDINGS AND CONCLUSIONS

I. Xcel's Proposal

Xcel made the following two requests:

- that the remaining life for the Prairie Island plant be extended to 2013 for Unit 1 and 2014 for Unit 2, for the purposes of calculating depreciation expenses in 2003;
- that the Commission approve the inclusion of steam generators replacement investments in Prairie Island Unit 1 in depreciation expense calculations for 2003.

Xcel stated that the net effect on net depreciation of these two changes would be a reduction of \$20,760,409 from the levels established in the Commission's June 3, 2003 Order.

II. Xcel's Position

A. Remaining Life

Xcel argued that the Prairie Island facility had previously been limited to a remaining life through 2007 due to constraints in its spent fuel storage capacity. However, new legislation,¹ which provides for additional dry-cask storage containers for the Prairie Island facility, allows continued operation of Prairie Island Units 1 and 2 through the license lives of 2013 and 2014, respectively.

Under the Commission's June 3, 2003 Order, as of January 1, 2003, the remaining life for both units at Prairie Island was set at 4.8 years. However, the new legislation allows for an additional operational life of 6.0 and 7.0 for each unit, respectively. Since the plant assets are not maintained by units, Xcel requested a change from the 4.8 years of remaining life to 11.3 years of remaining life.² This change would result in a decrease in depreciation expense of \$31,840,055.

Xcel indicated that it planned to operate the plant until the end of the license lives but indicated that in order to do so it would have to replace the steam generators for Prairie Island Unit 1. Xcel stated that without such a replacement Unit 1 might be forced to shut down by 2009.

At hearing, Xcel informed the Commission that the Company is in the process of replacing the steam generators. It has signed contracts, the vessels have been constructed and the generators will be replaced in about September-October 2004. Xcel argued that because the Company has committed to this replacement, the 2009 remaining life date recommended by the DOC is not appropriate.

B. Depreciation of Steam Generator Expense

Xcel originally requested that expenditures associated with the purchase of the new steam generators be included in depreciation expense calculations beginning January 1, 2003. At hearing,

¹ Minnesota 2003 1st Special Session Laws, Chapter 11, signed by Governor Pawlenty May 29, 2003.

² The 11.3 years of remaining life requested by Xcel is an average of the resulting 10.8 years for Unit 1 and 11.8 years for Unit 2.

Xcel indicated its agreement to begin depreciation of the steam generators investment in 2004, after they have been placed in service.

Further, at hearing, Xcel also stated its acceptance of the reporting requirements set forth by the DOC.

III. The DOC's Position

A. Remaining Life

The DOC recommended using 2009 for the remaining life of the Prairie Island Nuclear Plant Unit 1, until the steam generators are actually replaced. It argued that since the life of this unit is limited to 2009 until such replacement is made, it is appropriate to use 2009 as the remaining life.

It clarified that since the Prairie Island Plant is not maintained by unit, incorporating a seven year remaining life for Prairie Island Unit 1 (until 2009) with the 11.8 years remaining life for Prairie Island Unit 2 results in an average of 9.4 years remaining life for the Prairie Island Plant. The DOC argued that 9.4 years remaining life for the plant, not 11.3 years remaining life as proposed by Xcel, should be used.

B. Nuclear Vessel Head Issue

Xcel indicated that new Nuclear Regulatory Commission regulations require heightened visual inspections of nuclear reactor vessel head beginning in 2005. Due to the costs that will be incurred to perform these inspections, Xcel is evaluating replacement of the reactor vessel heads. The DOC recommended that Xcel provide updated information on this issue in appropriate future filings such as resource plans and remaining life depreciation studies.

IV. Commission Action

The Commission will set the remaining life of the Prairie Island nuclear plant at 11.3 years, as requested by Xcel. The Commission does so based on the 2003 legislation which allows for additional operational life for the plant and recognition of the Company's representations that it is committed to installing the new steam generators in 2004. Xcel represented that the decision to install the steam generators has been made and is being implemented. To support this Xcel indicated that the necessary contracts have been entered into and the steam generators have been constructed. Given these indications of the Company's commitment, the Commission finds that it is reasonable to amend the 2003 depreciation schedule to set the remaining life of the plant at 11.3 years.

The Commission agrees with the DOC that after the steam generators are put in service in 2004 is the appropriate time to recognize the depreciation expense. This is consistent with the Commission's past practices and with the FERC Uniform System of Accounts as adopted by Minnesota Statute and Rule. Therefore, the replacement steam generators will be excluded from the depreciation calculation for 2003.

Finally, the Commission will require Xcel to comply with the reporting requirements recommended by the DOC and agreed to by the Company. These requirements will enable more efficient administrative review of future filings.

The Commission will so order.

ORDER

1. The remaining life of the Prairie Island nuclear plant is hereby set at 11.3 years effective January 1, 2003. The Company's petition to amend the Company's Annual Review of Remaining Lives is hereby granted to reflect this.
2. The Company's request that the steam generators replacement costs for Prairie Island Unit 1 be included in depreciation expense calculations in 2003 is denied. The replacement steam generators shall be excluded from the depreciation calculation for 2003.
3. Xcel shall meet the following reporting requirements:
 - make a compliance filing showing revised total depreciation expense and decommissioning expense;
 - provide in future depreciation filings the total depreciation expense as approved by the most recent Commission Order and adjusted depreciation expense (Commission-ordered depreciation expense less Company- proposed adjustments);
 - provide updates in future filings such as resource plans and remaining-life depreciation studies on the ongoing monitoring of nuclear vessel heads.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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